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In response to press reports from Geneva regarding the dispute between the United States and Japan in the World Trade Organization concerning Japanese Government barriers to imports of consumer photographic film and paper, United States Trade Representative Charlene Barshefsky issued the following statement regarding the panel's failure to find Japan in violation of its WTO obligations in this case:

**Statement by Ambassador Charlene Barshefsky
Regarding the WTO Dispute on Photographic Film and Paper**

The United States is extremely disappointed by this report. Its ruling sidesteps the real issues in this case and instead focuses on narrow, technical issues. However, the Panel's analysis in no way exonerates the Japanese Government for the actions it took to protect its photographic film and paper market from foreign suppliers over the past 30 years.

The Panel's findings simply do not address market realities. Even within Japan, it is common knowledge that Japan's market is overregulated, its distribution system is closed, and exclusionary business practices are prevalent.

While the Panel did not address the broader problems in Japan, those problems are clear and globally recognized: Japan must deregulate its economy, open its distribution system, and eliminate exclusionary business practices that not only are limiting imports, but also are stifling competition and economic growth in Japan. Prime Minister Hashimoto and other Japanese officials have themselves repeatedly asserted the need for action. The restraints on foreign competition in Japan are clearly unacceptable.

The fact remains that less than three percent of all film sold through wholesale distribution channels in Japan is imported. The United States will continue to press vigorously for meaningful

access to this market. We will evaluate the broad range of options available to us -- on a bilateral, regional, or multilateral basis, as well as action under our trade laws, including Section 301 of the Trade Act.

Although the Panel results are disappointing, pursuing the WTO case and maintaining pressure on Japan nevertheless has led the Japanese Government to take some positive steps that will benefit Kodak and other photographic film and paper suppliers.

In the past year, Japan liberalized its Large-Scale Retail Stores Law, which was one of the measures that we challenged in the WTO, and the Japanese Government has indicated its intention to abolish that law next year.

Also, following our WTO complaint, Japan substantially relaxed many laws impeding the ability of foreign manufacturers to promote their products in Japan. In particular, Japan has recently eliminated regulations limiting promotional offers between businesses, and it loosened restrictions on the value of promotional offers that may be made to consumers.

In addition, Japan removed film from the list of sectors covered by the Business Reform Law, a measure that allows the Japanese Government to provide financial support or other assistance necessary to restructure firms facing increased competition, and it eliminated its practice of scrutinizing contracts involving foreign businesses.

Each of these measures was highlighted by the United States in the course of this dispute.

This is the first WTO case brought by the United States in which it has not prevailed. The United States has won all of the other seven cases it has taken to WTO panels so far, and has succeeded in enforcing U.S. rights by securing settlements favorable to the United States in seven additional cases. The United States was successful in the two previous cases it filed against Japan in the WTO.

Background

In June 1996, the USTR determined, under section 301 of the Trade Act of 1974, as amended, that certain acts, policies, and practices of the Government of Japan with respect to the sale and distribution of consumer photographic materials in Japan are unreasonable and burden or restrict U.S. commerce. Specifically, the USTR found that the Government of Japan established and tolerated a market structure that impedes U.S. exports of these products to Japan, thereby denying fair and equitable market opportunities.

Under section 301(b), the USTR may take all appropriate and feasible action within the power of the President with respect to trade in any goods or services, or with respect to any other area of pertinent relations with the foreign country. Accordingly, the USTR determined that the appropriate action to take at that time was to address the government's liberalization countermeasures through recourse to WTO dispute settlement and to address the restrictive business practices in Japan through other means. The determination concluded that, at the

appropriate time, based on the WTO consultations and proceedings, the USTR would consider what further action needs to be taken to ensure that barriers in the Japanese consumer photographic materials sector are eliminated.

On June 13, 1996, the United States requested consultations with Japan under WTO dispute settlement procedures, and the consultations took place on July 11. On September 20, the United States requested a panel, and the WTO Dispute Settlement Body established the panel on October 16. The United States made its submissions to the three-member panel on February 20 and May 12 and the panel met with the parties on April 17-18 and June 2-3.

The European Union and Mexico appeared as third parties in the dispute and made submissions and statements in support of the United States' claims.

The U.S. submissions to the Panel described in detail the extensive array of measures put in place by the Government of Japan over the past 30 years to offset the effects of tariff, import, and foreign investment liberalization and to limit the sale of imported consumer photographic film and paper in the Japanese market.